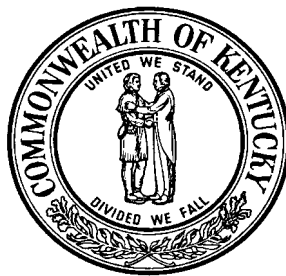


**REPORT OF THE AUDIT OF THE
ROCKCASTLE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2008**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
ROCKCASTLE COUNTY FISCAL COURT

June 30, 2008

The Auditor of Public Accounts has completed the audit of the Rockcastle County Fiscal Court for fiscal year ended June 30, 2008. We have issued unqualified opinions on the governmental activities, business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information.

Financial Conditions:

The Fiscal Court had total net assets of \$5,633,718 as of June 30, 2008. In its Governmental Activities the Fiscal Court had unrestricted net assets of \$281,169 as of June 30, 2008, with total net assets of \$5,478,741. Total net cash and cash equivalents for the business-type activities were \$102,913. The fiscal court's discretely presented component unit had total net assets of \$917,419, which included cash and cash equivalents of \$244,819 as of June 30, 2008. The fiscal court had total debt principal as of June 30, 2008 of \$2,955,056 with \$495,110 due within the next year.

Report Comments:

- 2008-01 The Fiscal Court Has A Shortage In The General, Road, And Jail Funds
- 2008-02 All Invoices Should Be Paid Within Thirty Days As Required By KRS 65.140
- 2008-03 The Fiscal Court Should Advertise For Bids On Purchases Exceeding \$20,000 In Accordance With KRS 424.260 Or Purchase Directly From State Price Contract Vendors
- 2008-04 The Fiscal Court Should Budget All Funds Utilized By The County And Maintain Proper Accounting Records
- 2008-05 Transfers From Restricted Funds Should Be Returned
- 2008-06 The Industrial Development Authority Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits And Should Have A Written Agreement To Protect Deposits
- 2008-07 All Expenditures Payments Should Be Paid From Supporting Documentation And Properly Accounted For
- 2008-08 The Fiscal Court Lacks Adequate Segregation Of Duties
- 2008-09 The Jail Canteen Lacks Adequate Segregation Of Duties
- 2008-10 The Industrial Development Authority Lacks Adequate Segregation Of Duties

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities.

The discretely presented component unit's deposits as of June 30, 2008 were exposed to credit risk as follows:

- Uncollateralized and Uninsured \$97,034

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable George "Buzz" Carloftis, Rockcastle County Judge/Executive

Members of the Rockcastle County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Rockcastle County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Rockcastle County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Rockcastle County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Rockcastle County, Kentucky, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statement but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable George "Buzz" Carloftis, Rockcastle County Judge/Executive
Members of the Rockcastle County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rockcastle County, Kentucky's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated June 1, 2009, on our consideration of Rockcastle County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2008-01 The Fiscal Court Has A Shortage In The General, Road, And Jail Funds
- 2008-02 All Invoices Should Be Paid Within Thirty Days As Required By KRS 65.140
- 2008-03 The Fiscal Court Should Advertise For Bids On Purchases Exceeding \$20,000 In Accordance With KRS 424.260 Or Purchase Directly From State Price Contract Vendors
- 2008-04 The Fiscal Court Should Budget All Funds Utilized By The County And Maintain Proper Accounting Records
- 2008-05 Transfers From Restricted Funds Should Be Returned
- 2008-06 The Industrial Development Authority Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits And Should Have A Written Agreement To Protect Deposits
- 2008-07 All Expenditures Payments Should Be Paid From Supporting Documentation And Properly Accounted For
- 2008-08 The Fiscal Court Lacks Adequate Segregation Of Duties
- 2008-09 The Jail Canteen Lacks Adequate Segregation Of Duties
- 2008-10 The Industrial Development Authority Lacks Adequate Segregation Of Duties

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

June 1, 2009

ROCKCASTLE COUNTY OFFICIALS

For The Year Ended June 30, 2008

Fiscal Court Members:

George "Buzz" Carloftis	County Judge/Executive
John Holbrook	Magistrate
Billy R. McKinney	Magistrate
Jan Stevens	Magistrate
Ralph Allen	Magistrate
William Denny	Magistrate

Other Elected Officials:

William D. Reynolds	County Attorney
James E. Miller	Jailer
Norma Houk	County Clerk
Teresa Vanzant	Circuit Court Clerk
Mike Peters	Sheriff
Magaret Offutt	Property Valuation Administrator
Billy Dowell	Coroner

Appointed Personnel:

Joseph B. Clontz	County Treasurer
Patricia Martin	Finance Officer

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ROCKCASTLE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

ROCKCASTLE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

	Primary Government			Component Unit
	Governmental	Business-Type		Rockcastle County
	Activities	Activities	Totals	Industrial Development
				Authority
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 370,055	\$ 102,913	\$ 472,968	\$ 244,819
Notes Receivable Due				
Within One Year	33,148		33,148	
Total Current Assets	403,203	102,913	506,116	244,819
Noncurrent Assets:				
Notes Receivable Due In				
More Than One Year	151,353		151,353	
Capital Assets - Net of Accumulated				
Depreciation				
Land	410,000		410,000	585,000
Construction In Progress	36,586		36,586	
Land Improvements	9,697		9,697	
Buildings and Improvements	3,950,708		3,950,708	87,600
Machinery and Equipment	582,991	10,805	593,796	
Vehicles	485,712	41,259	526,971	
Infrastructure	2,430,406		2,430,406	
Total Noncurrent Assets	8,057,453	52,064	8,109,517	672,600
Total Assets	8,460,656	154,977	8,615,633	917,419
LIABILITIES				
Current Liabilities:				
Bonds	180,000		180,000	
Financing Obligations	315,110		315,110	
Total Current Liabilities	495,110		495,110	
Noncurrent Liabilities:				
Bonds	1,865,000		1,865,000	
Financing Obligations	594,946		594,946	
Total Noncurrent Liabilities	2,459,946		2,459,946	
Total Liabilities	2,955,056		2,955,056	
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	4,951,044	52,064	5,003,108	\$ 672,600
Restricted For:				
Debt Service	246,528		246,528	
Unrestricted	281,169	102,913	384,082	244,819
Total Net Assets	\$ 5,478,741	\$ 154,977	\$ 5,633,718	\$ 917,419

The accompanying notes are an integral part of the financial statements.

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ROCKCASTLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

ROCKCASTLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,528,292	\$ 35,422	\$ 143,189	\$
Protection to Persons and Property	1,379,289	28,906	1,406,811	
General Health and Sanitation	307,530	4,202	309,557	
Social Services	9,750		34,386	
Recreation and Culture	35,793			
Roads	618,325	140	1,038,512	143,934
Debt Service	147,466		150,770	
Capital Projects	85,000			
Total Governmental Activities	4,111,445	68,670	3,083,225	143,934
Business-type Activities:				
Jail Canteen	139,377	144,590		
Total Business-type Activities	139,377	144,590		
Total Primary Government	\$ 4,250,822	\$ 213,260	\$ 3,083,225	\$ 143,934
Component Unit:				
Rockcaslte County Industrial Development Authorit	\$ 84,512	\$	\$ 30,719	\$

General Revenues:

Taxes:

 Real Property Taxes

 Motor Vehicle Taxes

 Other Taxes

 In Lieu Taxes

Excess Fees

Unrestricted Investment Earnings

Miscellaneous Revenues

Transfer In (Out)

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

ROCKCASTLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2008
(Continued)

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Totals	Rockcastle County Industrial Development Authority
\$ (1,349,681)	\$	\$ (1,349,681)	\$
56,428		56,428	
6,229		6,229	
24,636		24,636	
(35,793)		(35,793)	
564,261		564,261	
3,304		3,304	
(85,000)		(85,000)	
(815,616)		(815,616)	
	5,213	5,213	
	5,213	5,213	
(815,616)	5,213	(810,403)	
			(53,793)
253,193		253,193	
65,830		65,830	
740,373		740,373	
17,265		17,265	
29,654		29,654	
18,058	665	18,723	5,239
112,390	436	112,826	3,311
41,329	(41,329)		
1,278,092	(40,228)	1,237,864	8,550
462,476	(35,015)	427,461	(45,243)
5,016,265	189,992	5,206,257	962,662
\$ 5,478,741	\$ 154,977	\$ 5,633,718	\$ 917,419

The accompanying notes are an integral part of the financial statements.

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ROCKCASTLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2008

ROCKCASTLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2008

	General Fund	Road Fund	Jail Fund	Public Properties Corporation Fund
ASSETS				
Cash and Cash Equivalents	\$ 37,857	\$ 25,980	\$	\$ 242,813
Interfund Receivable		50,000		
Total Assets	<u>37,857</u>	<u>75,980</u>		<u>242,813</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Cash Shortage			26,859	
Interfund Payable	50,000			
Total Liabilities	<u>50,000</u>		<u>26,859</u>	
FUND BALANCES				
Reserved for:				
Encumbrances	256,795	100,883	133,284	
Unreserved:				
General Fund	(268,938)			
Special Revenue Funds		(24,903)	(160,143)	
Debt Service Fund				242,813
Total Fund Balance (Deficit)	<u>(12,143)</u>	<u>75,980</u>	<u>(26,859)</u>	<u>242,813</u>
Total Liabilities and Fund Balances	<u>\$ 37,857</u>	<u>\$ 75,980</u>	<u>\$ 0</u>	<u>\$ 242,813</u>

The accompanying notes are an integral part of the financial statements.

ROCKCASTLE COUNTY**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS****June 30, 2008****(Continued)**

Debt Service Fund	Non- Major Funds	Total Governmental Funds
\$ 3,715	\$ 59,690	\$ 370,055
		50,000
<u>3,715</u>	<u>59,690</u>	<u>420,055</u>

		26,859
		50,000
		<u>76,859</u>

	25,630	516,592
		(268,938)
	34,060	(150,986)
<u>3,715</u>		<u>246,528</u>
<u>3,715</u>	<u>59,690</u>	<u>343,196</u>
<u>\$ 3,715</u>	<u>\$ 59,690</u>	<u>\$ 420,055</u>

Reconciliation of the Balance Sheet - Governmental Funds To The Statement Of Net Assets

Total Fund Balances	\$ 343,196
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Notes Receivable Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds	184,501
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	10,603,447
Accumulated Depreciation	(2,697,347)
Long-term Debt is Not Due And Payable in the Current Period And, Therefore, Is Not Reported in the Funds.	
Financing Obligations	(910,056)
Bonds	<u>(2,045,000)</u>
Net Assets Of Governmental Activities	<u>\$ 5,478,741</u>

The accompanying notes are an integral part of the financial statements.

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ROCKCASTLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

ROCKCASTLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

	General Fund	Road Fund	Jail Fund	Public Properties Corporation Fund
REVENUES				
Taxes	\$ 881,328	\$	\$	\$
In Lieu Tax Payments	17,265	29,265		
Excess Fees	29,654			
Licenses and Permits	18,991			
Intergovernmental	485,510	1,216,832	892,919	150,770
Charges for Services	12,582	140	18,650	
Miscellaneous	37,692	34,981	33,024	
Interest	2,650	963	816	10,544
Total Revenues	<u>1,485,672</u>	<u>1,282,181</u>	<u>945,409</u>	<u>161,314</u>
EXPENDITURES				
General Government	803,860	18,354		
Protection to Persons and Property	365,213		741,051	
General Health and Sanitation	221,625	33,500		
Social Services	9,750			
Recreation and Culture	45,016			
Roads		839,644		
Debt Service	69,171	176,379		169,536
Capital Projects				
Administration	198,205	160,696	134,239	
Total Expenditures	<u>1,712,840</u>	<u>1,228,573</u>	<u>875,290</u>	<u>169,536</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(227,168)</u>	<u>53,608</u>	<u>70,119</u>	<u>(8,222)</u>
Other Financing Sources (Uses)				
Financing Obligations Proceeds	155,000			
Transfers From Other Funds	215,941	175,000	70,329	6,738
Transfers To Other Funds	(251,238)	(242,743)	(130,726)	
Total Other Financing Sources (Uses)	<u>119,703</u>	<u>(67,743)</u>	<u>(60,397)</u>	<u>6,738</u>
Net Change in Fund Balances	(107,465)	(14,135)	9,722	(1,484)
Fund Balances - Beginning (Restated)	95,322	90,115	(36,581)	244,297
Fund Balances (Deficit) - Ending	<u>\$ (12,143)</u>	<u>\$ 75,980</u>	<u>\$ (26,859)</u>	<u>\$ 242,813</u>

The accompanying notes are an integral part of the financial statements.

ROCKCASTLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2008
(Continued)

Debt Service Fund	Non- Major Funds	Total Governmental Funds
\$	\$ 148,803	\$ 1,030,131
		46,530
		29,654
		18,991
	481,445	3,227,476
		31,372
6,936	17,747	130,380
2,544	541	18,058
9,480	648,536	4,532,592
	80,781	902,995
	364,581	1,470,845
	80,545	335,670
		9,750
	27,794	72,810
		839,644
181,042	20,412	616,540
	85,000	85,000
	66,969	560,109
181,042	726,082	4,893,363
(171,562)	(77,546)	(360,771)
		155,000
169,469	84,500	721,977
(30,000)	(25,941)	(680,648)
139,469	58,559	196,329
(32,093)	(18,987)	(164,442)
35,808	78,677	507,638
\$ 3,715	\$ 59,690	\$ 343,196

The accompanying notes are an integral part of the financial statements.

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**ROCKCASTLE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2008

ROCKCASTLE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ (164,442)
--	--------------

Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	677,146
Depreciation Expense	(335,619)

The proceeds of receipts of accounts receivable provide current financial resources and are reported in this fund financial statement but they are presented as a reduction of assets in the Statement of Net Assets.	(31,985)
---	----------

The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.

Financing Obligations Proceeds	(155,000)
Financing Obligations Principal Payments	297,376
Bond Principal Payments	175,000

Change in Net Assets of Governmental Activities	\$ 462,476
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ROCKCASTLE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2008

ROCKCASTLE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2008

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 102,913
Total Current Assets	<u>102,913</u>
Noncurrent Assets:	
Capital Assets:	
Machinery and Equipment	21,004
Vehicles	102,162
Less Accumulated Depreciation	<u>(71,102)</u>
Total Noncurrent Assets	<u>52,064</u>
Total Assets	<u>154,977</u>
Net Assets	
Invested in Capital Assets,	
Net of Related Debt	52,064
Unrestricted	102,913
Total Net Assets	<u><u>\$ 154,977</u></u>

The accompanying notes are an integral part of the financial statements.

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ROCKCASTLE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

ROCKCASTLE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 144,590
Total Operating Revenues	<u>144,590</u>
Operating Expenses	
Cost of Sales	65,185
Educational and Recreational	6,384
Medical Payments	3,665
Sales Tax	8,159
Supplies	4,148
Depreciation	19,134
Total Operating Expenses	<u>106,675</u>
Operating Income	<u>37,915</u>
Nonoperating Revenues	
Interest Income	665
Other Receipts	436
Transfers Out	(41,329)
Inmate Pay From State	(10,541)
Inmate Refunds	<u>(22,161)</u>
Total Nonoperating Revenues	<u>(72,930)</u>
Change In Net Assets	(35,015)
Total Net Assets - Beginning (Restated)	<u>189,992</u>
Total Net Assets - Ending	<u><u>\$ 154,977</u></u>

The accompanying notes are an integral part of the financial statements.

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ROCKCASTLE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

ROCKCASTLE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 144,590
Cost of Sales	(65,185)
Educational and Recreational	(6,384)
Medical Payments	(3,665)
Sales Tax	(8,159)
Supplies	(4,148)
Net Cash Provided By Operating Activities	<u>57,049</u>
Cash Flows From Capital and Related Financing Activities	
Other Receipts	436
Transfers Out	(41,329)
Inmate Pay From State	(10,541)
Inmate Refunds	(22,161)
Net Cash (Used) in Capital and Related Financing Activities	<u>(73,595)</u>
Cash Flows From Investing Activities	
Interest Earned	665
Net Cash Provided By Investing Activities	<u>665</u>
Net Increase in Cash and Cash Equivalents	(15,881)
Cash and Cash Equivalents - July 1, 2007 (Restated)	118,794
Cash and Cash Equivalents - June 30, 2008	<u><u>\$ 102,913</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income	\$ 37,915
Adjustment to Reconcile Operating Income To Net Cash Provided By Operating Activities	
Depreciation Expense	<u>19,134</u>
Net Cash Provided By Operating Activities	<u><u>\$ 57,049</u></u>

The accompanying notes are an integral part of the financial statements.

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ROCKCASTLE COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

ROCKCASTLE COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

	<u>Agency Fund</u>
	<u>Jail Inmate Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 7,942</u>
 Total Assets	 <u>7,942</u>
Liabilities	
Amounts Held In Custody For Others	<u>7,942</u>
 Total Liabilities	 <u>7,942</u>
Net Assets	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivables are recognized on the Statement of Net Assets, but notes receivables are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Rockcastle County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as components units if either the county is financially accountable or the organization's exclusions would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All others component units are discretely presented.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Unit (Continued)

Rockcastle County Public Properties Corporation

The Fiscal Court has the authority to appoint a voting majority of the Public Properties Corporation's (PPC) Board of Directors. The Fiscal Court also has the ability to approve or modify the PPC's budget; approve or modify rate of fee changes affecting revenues; veto, overrule, or modify decisions of the Board of Directors; or otherwise impose its will on the PPC. In addition, the Fiscal Court is financially accountable for the PPC, legally entitled to the PPC's resources, and legally obligated for the PPC's debt. Financial information for the Public Properties Corporation is blended within Rockcastle County's financial statements. All activities of the PPC are accounted for within a governmental fund.

Discretely Presented Component Unit

The component unit column in the government-wide financial statements includes the data of the following organization. It is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize the organization's separateness from the fiscal court's primary government.

Rockcastle County Industrial Development Authority

The Industrial Development Authority (IDA) was established by the Rockcastle County Fiscal Court to retain and recruit businesses and job opportunities within the county. The county provides additional funding to the IDA as needed to carry out the IDA's objectives. The Fiscal Court is financially accountable and legally obligated for any debt incurred by the IDA. Exclusion of this entity as a component unit of Rockcastle County would cause the county's financial statements to be misleading or incomplete. The financial information for the IDA is presented discretely within Rockcastle County's financial statements. The IDA does not issue a separate financial statement audit.

C. Rockcastle County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Rockcastle County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Rockcastle County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff
- Coroner

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The primary government reports the governmental activities, business-type activities and proprietary funds using the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid, except for the recognition of depreciation expense on the statement of activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Fiduciary Funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, 2) operating grants and contributions and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary funds) and whose total assets, liabilities, revenues or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The Fiscal Court may also designate any fund as a major fund.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The primary government reports the governmental funds using the current resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid.

Governmental Funds

The government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - This fund is used to account for the jail expenses of the County. The primary sources of revenue for this fund are reimbursements from the state and federal government, from other counties for housing prisoners, and transfers from other funds. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Public Properties Corporation Fund - This fund is a legally separate entity established to provide long-term debt service requirements of the Fiscal Court.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

The government also has the following non-major funds: LGEA Fund, Forestry Fund, Economic Development Fund, 911 Fund, CSEPP Fund, WMD Fund, LECP Fund, and Fairgrounds Fund, which are presented as Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the County's enterprise fund are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

The government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency funds are used to account for monies held by the county in the Jail Inmate Fund for custodial purposes only. Unlike other funds, agency funds report assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary funds:

Jail Inmate Fund – This accounts for funds received from inmates and held until inmates use these funds or are released from custody.

Presentation of Component Unit

The financial statements present the Rockcastle County Industrial Development Authority (IDA) as a major discretely presented component unit. Rockcastle County Fiscal Court significant transactions with the IDA for fiscal year ended June 30, 2008 are payments of \$30,719 from the governmental activities.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 1,500	10-75
Buildings and Building Improvements	\$ 1,000	10-60
Machinery and Equipment	\$ 1,000	2-10
Vehicles	\$ 1,000	10-25
Infrastructure	\$ 1,000	10-60

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget was not adopted for the Public Properties Corporation fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the other funds to comply with these requirements. In addition, a formal budget for the Jail Canteen Fund is not adopted nor is it required by the Department for Local Government.

A formal budget was not adopted for the Rockcastle County Industrial Development Authority because this entity is a component unit of the fiscal court and the financial activity is not required to be included in the budget or financial statements of the primary government. The fiscal court established this entity as a component unit, which is operated independently of the Rockcastle County Fiscal Court. This entity is included as a discretely presented component unit on the county’s financial statements.

J. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on the criteria the following are considered related organizations of Rockcastle County Fiscal Court: the Rockcastle County Ambulance Service and the Western Rockcastle County Water Association.

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 2. Deposits

The County and the discretely presented component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and an official record of the depository institution. These requirements were not met for the discretely presented component unit, as they did not have a written agreement with the bank.

Custodial Credit Risk Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2008, all deposits of the primary government were covered by FDIC insurance or a properly executed collateral security agreement.

However, as of June 30, 2008, \$97,034 of the discretely presented component unit's bank balance was exposed to custodial risk as follows:

- Uncollateralized and Uninsured - \$97,034

Note 3. Long-term Receivables

A. Western Rockcastle County Water Association

The Rockcastle County has entered into a financing obligation on the behalf of Western Rockcastle County Water Association for the purpose of constructing a water line. The loan was for a period of 20 years at 2.95 percent interest with 40 equal semi-annual payments in the amount of \$12,131 plus fees. The Rockcastle County Water Association has agreed to pay all debt service requirements on the financing obligation. Future payments due to Rockcastle County Fiscal Court are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2009	\$ 20,503	\$ 4,014
2010	21,112	3,363
2011	21,739	2,694
2012	22,385	2,004
2013	23,051	1,294
2014	23,736	561
Totals	<u>\$ 132,526</u>	<u>\$ 13,930</u>

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 3. Long-term Receivables (Continued)

B. Rockcastle Ambulance

The Rockcastle County Fiscal Court has entered into a financing obligation on behalf of the Rockcastle Ambulance Service for the purchase of an ambulance. The loan was for a period of 5 years at 4.25 percent interest and matures on June 1, 2012. The Rockcastle Ambulance Service has agreed to pay all debt service requirements on the financing obligation. Future payments due to Rockcastle County Fiscal Court are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2009	\$ 5,846	\$ 1,090
2010	6,094	841
2011	6,353	583
2012	6,624	282
Totals	<u>\$ 24,917</u>	<u>\$ 2,796</u>

C. Rockcastle Ambulance

The Rockcastle County Fiscal Court has entered into a financing obligation on the behalf of the Rockcastle Ambulance Service for the purchase of an ambulance. The loan was for a period of 8 years at 4.25 percent interest and matures on March 20, 2012. The Rockcastle Ambulance Service has agreed to pay all debt service requirements on the financing obligation. Future payments due to Rockcastle County Fiscal Court are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2009	\$ 6,799	\$ 973
2010	7,161	691
2011	7,542	393
2012	5,556	90
Totals	<u>\$ 27,058</u>	<u>\$ 2,147</u>

Note 4. Transfer From Restricted Funds

The county transferred \$50,000 to the General Fund of restricted monies from the Road Fund. These monies are due back to the Road Fund.

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 410,000	\$	\$	410,000
Construction In Progress		36,586		36,586
Total Capital Assests Not Being Depreciated	410,000	36,586		446,586
Capital Assets, Being Depreciated:				
Land Improvements	13,881			13,881
Buildings and Improvements	4,747,226	97,966		4,845,192
Machinery and Equipment	1,590,787	41,707		1,632,494
Vehicles	869,708	190,698		1,060,406
Infrastructure	2,294,699	310,189		2,604,888
Total Capital Assets Being Depreciated	9,516,301	640,560		10,156,861
Less Accumulated Depreciation For:				
Land Improvements	(3,029)	(1,155)		(4,184)
Buildings and Improvements	(820,822)	(73,662)		(894,484)
Machinery and Equipment	(933,153)	(116,350)		(1,049,503)
Vehicles	(491,645)	(83,049)		(574,694)
Infrastructure	(113,079)	(61,403)		(174,482)
Total Accumulated Depreciation	(2,361,728)	(335,619)		(2,697,347)
Total Capital Assets, Being Depreciated, Net	7,154,573	304,941		7,459,514
Governmental Activities Capital Assets, Net	<u>\$ 7,564,573</u>	<u>\$ 341,527</u>	<u>\$ 0</u>	<u>\$ 7,906,100</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 21,004	\$	\$	\$ 21,004
Vehicles	102,162			102,162
Total Capital Assets Being Depreciated	123,166			123,166
Less Accumulated Depreciation For:				
Machinery and Equipment	(7,411)	(2,788)		(10,199)
Vehicles	(44,557)	(16,346)		(60,903)
Total Accumulated Depreciation	(51,968)	(19,134)		(71,102)
Total Capital Assets, Being Depreciated, Net	71,198	(19,134)		52,064
Business-Type Activities Capital Assets, Net	<u>\$ 71,198</u>	<u>\$ (19,134)</u>	<u>\$ 0</u>	<u>\$ 52,064</u>

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 5. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 131,323
Protection to Persons and Property	105,847
General Health and Sanitation	5,360
Recreation and Culture	4,219
Roads, Including Depreciation of General Infrastructure Assets	<u>88,870</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 335,619</u>

Business-Type Activities

Jail Canteen	<u>\$ 19,134</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 19,134</u>

Capital asset activity for the discretely component unit for the year ended June 30, 2008 is as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 585,000	\$	\$	\$ 585,000
Total Capital Assets Not Being Depreciated	<u>585,000</u>			<u>585,000</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	<u>90,000</u>			<u>90,000</u>
Total Capital Assets Being Depreciated	<u>90,000</u>			<u>90,000</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	<u>(1,200)</u>	<u>(1,200)</u>		<u>(2,400)</u>
Total Accumulated Depreciation	<u>(1,200)</u>	<u>(1,200)</u>		<u>(2,400)</u>
Total Capital Assets, Being Depreciated, Net	<u>88,800</u>	<u>(1,200)</u>		<u>87,600</u>
Capital Assets, Net	<u>\$ 673,800</u>	<u>\$ (1,200)</u>	<u>\$ 0</u>	<u>\$ 672,600</u>

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 5. Capital Assets (Continued)

Depreciation expense was charged to function of the discretely presented major component unit as follows:

Industrial Development Authority	<u>\$ 1,200</u>
Total Depreciation Expense - Component Unit	<u><u>\$ 1,200</u></u>

Note 6. Long-term Debt

A. Public Properties First Mortgage Refunding Revenue Bonds, Series 1997

The Rockcastle County Public Properties Corporation issued obligations of \$1,830,000, dated October 1, 1997 and payable in 15 annual installments beginning March 1, 1998 and semi-annual interests payments on the first of March and September at varying rates from 4.60% to 5.90%. The bonds were issued for the purpose of refunding the Series 1991 bonds issued by Rockcastle County Public Properties Corporation. As of June 30, 2008, bonds outstanding were \$825,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 130,000	\$ 38,350
2010	135,000	31,790
2011	145,000	24,791
2012	150,000	17,340
2013	<u>265,000</u>	<u>6,758</u>
Total	<u><u>\$ 825,000</u></u>	<u><u>\$ 119,029</u></u>

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 6. Long-term Debt (Continued)

B. General Obligation Refunding Bonds, Series 2007

The Rockcastle County Fiscal Court issued obligations of \$1,325,000, dated April 12, 2007 and payable in 19 annual installments beginning June 1, 2007 and semi-annual interest payments on the first of June and December at varying rates from 4.1% to 4.55%. The Fiscal Court issued the bonds for the purpose of refinancing the Kentucky Area Development Districts Financing Trust Debt, issued for the purpose of refinancing jail renovations and a fire truck for Brindle Ridge Fire Department. As of June 30, 2008, bonds outstanding were \$1,220,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 50,000	\$ 53,813
2010	55,000	51,762
2011	55,000	49,453
2012	60,000	47,142
2013	60,000	44,622
2014-2018	345,000	181,409
2019-2023	415,000	98,387
2024-2025	180,000	12,285
Total	<u>\$ 1,220,000</u>	<u>\$ 538,873</u>

C. Note Payable - KIA

On June 1, 1994, Rockcastle County borrowed \$364,572 from the Kentucky Infrastructure Authority for the purpose of constructing a water line for the Western Rockcastle Water Association. The loan was for a period of 20 years at 2.95 percent interest with 40 equal semi-annual payments in the amount of \$12,131. The principal balance due at June 30, 2008 was \$132,526.

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2009	\$ 20,503	\$ 4,014
2010	21,112	3,364
2011	21,739	2,694
2012	22,385	2,004
2013	23,051	1,294
2014	23,736	561
Total	<u>\$ 132,526</u>	<u>\$ 13,931</u>

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 6. Long-term Debt (Continued)

D. Financing Obligation - 911 Dictaphone Lease

In January 1998, Rockcastle County entered into a lease agreement with Fleetwood Financial in the amount of \$17,849 to purchase a dictaphone for 911. Principal and interest at a rate of 7.5 percent is paid annually for a period of 4 years. The principal balance due at June 30, 2008 was \$7,369. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 3,551	\$ 556
2010	3,818	228
Total	<u>\$ 7,369</u>	<u>\$ 784</u>

E. Financing Obligation - Road and Bridge Improvements Lease

On November 19, 1998, Rockcastle County entered into a lease agreement with the Kentucky Area Development Districts Financing Trust in the amount of \$755,000 to make certain road and bridge improvements and to pay in full certain outstanding indebtedness which had also been used to make necessary road improvements. Principal is paid annually and interest, at a variable rate, is paid semi-annually for a period of 10 years. The principal balance due at June 30, 2008 was \$95,000. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 95,000	\$ 2,494
Total	<u>\$ 95,000</u>	<u>\$ 2,494</u>

F. Financing Obligation - 911 System Lease

On March 27, 2000, Rockcastle County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$179,285 to purchase a 911 system. Principal and interest at a variable rate is paid monthly for a period of 10 years. The principal balance due at June 30, 2008 was \$39,310. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 21,953	\$ 1,292
2010	17,357	325
Total	<u>\$ 39,310</u>	<u>\$ 1,617</u>

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 6. Long-term Debt (Continued)

G. Financing Obligation - Boiler Lease

On March 27, 2000, Rockcastle County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$28,755 to purchase a boiler. Principal and interest at variable rates is paid monthly for a period of 10 years. The principal balance due at June 30, 2008 was \$6,239. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 3,484	\$ 205
2010	2,755	52
Total	<u>\$ 6,239</u>	<u>\$ 257</u>

H. Financing Obligation - Fire Truck Lease

On March 22, 2002, Rockcastle County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$47,500 to purchase a fire truck. Principal and interest at a variable rate is paid monthly for a period of 7 years. The principal balance due at June 30, 2008 was \$6,366. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 6,366	\$ 126
Total	<u>\$ 6,366</u>	<u>\$ 126</u>

I. Financial Obligation - Bridge Construction Lease

On April 24, 2002, Rockcastle County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$480,000 bridge construction. Principal and interest at a variable rate is paid monthly for a period of 7 years. The principal balance due at June 30, 2008 was \$70,671. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2009	\$ 70,671	\$ 1,499
Total	<u>\$ 70,671</u>	<u>\$ 1,499</u>

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 6. Long-term Debt (Continued)

J. Financing Obligation - Building and Fire Equipment Lease

On January 23, 2003, Rockcastle County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$55,000 to purchase fire equipment. Principal and interest at a rate of 3.96 percent is paid monthly for a period of 15 years. The principal balance due at June 30, 2008 was \$40,435. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 3,307	\$ 1,852
2010	3,453	1,693
2011	3,604	1,527
2012	3,762	1,352
2013	3,928	1,171
2014-2018	22,381	2,834
Total	<u>\$ 40,435</u>	<u>\$ 10,429</u>

K. Financing Obligations - Ambulance Lease

On August 23, 2004 the Rockcastle County Fiscal Court entered into a capital lease agreement with Kentucky Association of Counties Leasing Trust for the purchase of an ambulance. The principal was \$50,000 at an effective interest rate of 4.47 percent for a period of eight years, with principal and interest paid monthly. The principal balance outstanding as of June 30, 2008 was \$27,058. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 6,799	\$ 973
2010	7,161	691
2011	7,542	393
2012	5,556	90
Total	<u>\$ 27,058</u>	<u>\$ 2,147</u>

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 6. Long-term Debt (Continued)

L. Financing Obligation - Industrial Development Authority Lease

In January 2006, Rockcastle County began making payments on a lease agreement between the Industrial Development Authority and Kentucky Association of Counties Leasing Trust. Principal and interest at a rate of 2.75 percent is paid monthly. The lease matures on April 20, 2013. The principal balance due at June 30, 2008 was \$53,297. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 10,015	\$ 1,822
2010	10,518	1,450
2011	11,047	1,058
2012	11,603	648
2013	10,114	211
Total	<u>\$ 53,297</u>	<u>\$ 5,189</u>

M. Financing Obligations - KADD Lease

On June 1, 2007, Rockcastle County entered into a lease agreement with the Kentucky Area Development Districts Financing Trust in the amount of \$340,000 to pay a short-term note at Citizens Bank and to purchase an ambulance for the Ambulance Service. Principal is paid annually and interest, at a rate of 4.25 percent, is paid semi-annually for a period of 5 years. The principal balance due at June 30, 2008 was \$280,000. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 65,000	\$ 12,250
2010	70,000	9,488
2011	70,000	6,513
2012	75,000	3,187
Total	<u>\$ 280,000</u>	<u>\$ 31,438</u>

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 6. Long-term Debt (Continued)

N. Financing Obligations – Fire Truck Lease

On November 13, 2007 the Rockcastle County Fiscal Court entered into a capital lease agreement with Kentucky Association of Counties Leasing Trust for the purchase of a fire truck for the Livingston Fire Department. The principal was \$65,000 at an effective interest rate of 4.56 percent for a period of ten years, with principal and interest paid monthly. The principal balance outstanding as of June 30, 2008 was \$61,785. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 5,661	\$ 2,385
2010	5,857	2,381
2011	6,060	2,180
2012	6,270	1,924
2013	6,488	1,664
2014-2018	31,449	3,962
Total	<u>\$ 61,785</u>	<u>\$ 14,496</u>

O. Financing Obligations – Pongo Fire Department Lease

On November 27, 2007 the Rockcastle County Fiscal Court entered into a capital lease agreement with Kentucky Association of Counties Leasing Trust for the construction of the Pongo Fire Department. The principal was \$90,000 at an effective interest rate of 4.871 percent for a period of 20 years, with principal and interest paid monthly. The principal balance outstanding as of June 30, 2008 was \$90,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 3,000	\$ 4,175
2010	3,000	4,039
2011	3,000	3,904
2012	3,000	3,768
2013	3,000	3,632
2014-2018	20,000	15,466
2019-2023	24,000	10,503
2024-2028	31,000	3,941
Total	<u>\$ 90,000</u>	<u>\$ 49,428</u>

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 7. Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Bonds	\$ 2,220,000	\$	\$ 175,000	\$ 2,045,000	\$ 180,000
Financing Obligations	<u>1,052,432</u>	<u>155,000</u>	<u>297,376</u>	<u>910,056</u>	<u>315,110</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 3,272,432</u>	<u>\$ 155,000</u>	<u>\$ 472,376</u>	<u>\$ 2,955,056</u>	<u>\$ 495,110</u>

Note 8. Interest On Long-term Debt

Debt Service on the Statement of Activities includes \$45,568 in interest on financing obligations and \$100,398 in interest on bonds.

Note 9. Related Party Transactions

The Rockcastle County Fiscal Court conducted business with Broadhead Farm Equipment, which is owned by Magistrate Bill McKinney's brother. The County purchased equipment and parts from Broadhead Farm Equipment for the fiscal year ended June 30, 2008. These transactions are considered to be related party transactions.

Note 10. Employee Retirement System

The County has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5 percent of their salary to the plan. The County's contribution rate for non-hazardous employees was 16.17 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The County's contribution rate for hazardous employees was 33.87 percent.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 11. Deferred Compensation

Rockcastle County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority, 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at 502-573-7925.

Note 12. Insurance

For the fiscal year ended June 30, 2008, Rockcastle County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the member, the members are responsible for the payment of the excess losses,

Note 13. Subsequent Events

On June 5, 2008 Rockcastle County Fiscal Court approved the second reading and final adoption of occupational and net profits tax ordinance enacting a 1-1/2% occupational tax beginning July 1, 2008.

On July 10, 2008 Rockcastle County Fiscal Court entered into loan agreement with Community Trust Bank for \$250,000. The purpose of this loan was for business expenses.

On July 10, 2008 Rockcastle County Fiscal Court entered into loan agreement with Citizens Bank for \$250,000. The purpose of this loan was for business expenses.

On November 26, 2008 Rockcastle County Fiscal Court entered into loan agreement with Peoples Bank of Kentucky for \$250,000. The purpose of this loan was for operating expenses.

On December 19, 2008 Rockcastle County Fiscal Court entered into a loan agreement with Citizens Bank for \$1,000,000. This loan was renewed on March 24, 2009 and subsequently was retired when the county received lease proceeds.

On March 5, 2009 Rockcastle County Fiscal Court received final approval to enter a lease agreement with Kentucky Association of Counties Leasing Trust for \$2,500,000. The purpose of this lease was for the acquisition of land and construction of roads for a new business industry in the county.

On April 22, 2009 Rockcastle County Industrial Development Authority entered into a lease agreement with Community Trust Bank for \$2,700,000. The purpose of this lease was to acquire and construct leased facilities.

ROCKCASTLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 14. Prior Period Adjustment

The prior year net assets balance for governmental activities, business-type activities, and fund cash balances have been restated as follows:

	Governmental Activities	Business-type Activities	General Fund	Road Fund	Jail Fund	Economic Development Fund
Beginning balance	\$ 5,038,158	\$ 194,818	\$ 67,163	\$ 75,342	(7,899)	24,687
Adjustments:						
Prior year voided checks	4,267		651	3,606	10	
Checks held due to unavailable fund	(25,258)				(25,258)	
Accumulated depreciation	(78,622)	(347)				
Prior year due to other funds	40,518	255	27,508	13,010		
Due from other funds	(23,414)			(1,843)		(21,571)
Receivables previously omitted	64,049					
Inmate money included in canteen		(4,734)				
Immaterial difference	(3,433)				(3,434)	1
Restated beginning balance	<u>\$ 5,016,265</u>	<u>\$ 189,992</u>	<u>\$ 95,322</u>	<u>\$ 90,115</u>	<u>\$ (36,581)</u>	<u>3,117</u>

The financial activity of the discretely presented component unit, Rockcastle County Industrial Development Authority, has been presented in the financial statements for the fiscal year ended June 30, 2008. This activity was not presented previously.

Note 15. Deficit Fund Balances

The Rockcastle County Fiscal Court ended the fiscal year ended June 30, 2008 with deficit fund balances of \$12,143 in the General Fund and \$26,859 in the Jail Fund.

Note 16. Escrow Account

The Rockcastle County Fiscal Court issued refunding bonds in April 2007. The proceeds were placed in an escrow account to retire old debt at a later date. As of June 30, 2008, the escrow account had a \$1,165,878, which will cover the defeased debt.

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ROCKCASTLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008

ROCKCASTLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2008

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 850,400	\$ 882,688	\$ 881,328	\$ (1,360)
In Lieu Tax Payments	18,700	18,700	17,265	(1,435)
Excess Fees	38,000	59,654	29,654	(30,000)
Licenses and Permits	20,800	21,050	18,991	(2,059)
Intergovernmental Revenue	241,795	474,795	485,510	10,715
Charges for Services	15,000	15,621	12,582	(3,039)
Miscellaneous	37,300	54,105	37,692	(16,413)
Interest	8,000	8,000	2,650	(5,350)
Total Revenues	1,229,995	1,534,613	1,485,672	(48,941)
EXPENDITURES				
General Government	742,857	823,248	803,860	19,388
Protection to Persons and Property	72,350	367,120	365,213	1,907
General Health and Sanitation	104,845	230,894	221,625	9,269
Social Services	7,500	13,345	9,750	3,595
Recreation and Culture	12,500	49,086	45,016	4,070
Debt Service	71,550	75,960	69,171	6,789
Administration	268,393	203,127	198,205	4,922
Total Expenditures	1,279,995	1,762,780	1,712,840	49,940
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(50,000)	(228,167)	(227,168)	999
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds		155,000	155,000	
Transfers From Other Funds			215,941	215,941
Transfers To Other Funds	(25,000)	(25,000)	(201,238)	(176,238)
Total Other Financing Sources (Uses)	(25,000)	130,000	169,703	39,703
Net Changes in Fund Balance	(75,000)	(98,167)	(57,465)	40,702
Fund Balance - Beginning (Restated)	75,000	95,322	95,322	
Fund Balance - Ending	\$ 0	\$ (2,845)	\$ 37,857	\$ 40,702

ROCKCASTLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
In Lieu Tax Payments	\$ 21,000	\$ 29,265	\$ 29,265	\$
Intergovernmental Revenue	1,018,500	1,079,412	1,216,832	137,420
Charges For Services	1,200	1,200	140	(1,060)
Miscellaneous	2,500	32,716	34,981	2,265
Interest	2,250	2,250	963	(1,287)
Total Revenues	1,045,450	1,144,843	1,282,181	137,338
EXPENDITURES				
General Government	19,200	19,200	18,354	846
General Health and Sanitation		33,500	33,500	
Roads	655,500	811,351	839,644	(28,293)
Debt Service	207,855	245,357	176,379	68,978
Administration	287,895	164,041	160,696	3,345
Total Expenditures	1,170,450	1,273,449	1,228,573	44,876
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(125,000)	(128,606)	53,608	182,214
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			125,000	125,000
Transfers To Other Funds			(242,743)	(242,743)
Total Other Financing Sources (Uses)			(117,743)	(117,743)
Fund Balance - Beginning (Restated)	(125,000)	(128,606)	(64,135)	64,471
Fund Balance - Beginning	125,000	128,606	90,115	(38,491)
Fund Balance - Ending	\$ 0	\$ 0	\$ 25,980	\$ 25,980

ROCKCASTLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 805,704	\$ 810,704	\$ 892,919	\$ 82,215
Charges for Services	32,000	38,512	18,650	(19,862)
Miscellaneous	26,500	32,972	33,024	52
Interest	1,000	1,000	816	(184)
Total Revenues	865,204	883,188	945,409	62,221
EXPENDITURES				
Protection to Persons and Property	676,878	709,123	741,051	(31,928)
Debt Service	105,863	101,763		101,763
Administration	112,463	105,472	134,239	(28,767)
Total Expenditures	895,204	916,358	875,290	41,068
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(30,000)	(33,170)	70,119	103,289
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	25,000	25,000	70,329	45,329
Transfers To Other Funds			(130,726)	(130,726)
Total Other Financing Sources (Uses)	25,000	25,000	(60,397)	(85,397)
Net Changes in Fund Balance	(5,000)	(8,170)	9,722	17,892
Fund Balance - Beginning (Restated)	5,000	5,010	(36,581)	(41,591)
Fund Balance - Ending	\$ 0	\$ (3,160)	\$ (26,859)	\$ (23,699)

ROCKCASTLE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2008

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. General Fund Reconciliation

The General Fund Budgetary Comparison Schedule differs from the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds due to interfund payable to the Road Fund of \$50,000. The net effect is a decrease in fund balance of \$50,000.

Note 3. Road Fund Reconciliation

The Road Fund Budgetary Comparison Schedule differs from the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds due to interfund receivable from the General Fund of \$50,000. The net effect is an increase in fund balance of \$50,000.

**ROCKCASTLE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2008

ROCKCASTLE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2008

	LGEA Fund	Forestry Fund	911 Fund	CSEPP Fund
ASSETS				
Cash and Cash Equivalents	\$ 16,497	\$ 359	\$ 4,182	\$ 27,644
Total Assets	<u>16,497</u>	<u>359</u>	<u>4,182</u>	<u>27,644</u>
FUND BALANCES				
Reserved for:				
Encumbrances	4,695		2,814	17,744
Unreserved:				
Special Revenue Funds	<u>11,802</u>	<u>359</u>	<u>1,368</u>	<u>9,900</u>
Total Fund Balances	<u>\$ 16,497</u>	<u>\$ 359</u>	<u>\$ 4,182</u>	<u>\$ 27,644</u>

ROCKCASTLE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2008
(Continued)

LECP Fund	Fairgrounds Fund	Total Non-Major Governmental Funds
<u>\$ 1,348</u>	<u>\$ 9,660</u>	<u>\$ 59,690</u>
<u>1,348</u>	<u>9,660</u>	<u>59,690</u>
	377	25,630
<u>1,348</u>	<u>9,283</u>	<u>34,060</u>
<u>\$ 1,348</u>	<u>\$ 9,660</u>	<u>\$ 59,690</u>

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ROCKCASTLE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2008

ROCKCASTLE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2008

	LGEA Fund	Forestry Fund	Economic Development Fund	911 Fund
REVENUES				
Taxes	\$	\$ 2,389	\$	\$ 146,414
Intergovernmental	192,758			
Miscellaneous	375			1,979
Interest	441	22	22	56
Total Revenues	<u>193,574</u>	<u>2,411</u>	<u>22</u>	<u>148,449</u>
EXPENDITURES				
General Government	77,781		3,000	
Protection to Persons and Property	46,348	2,595		156,535
General Health and Sanitation	80,495			
Recreation and Culture	14,828			
Debt Service	20,412			
Capital Projects				
Administration	25,480			23,166
Total Expenditures	<u>265,344</u>	<u>2,595</u>	<u>3,000</u>	<u>179,701</u>
Excess (Deficiency) of Revenues				
Expenditures Before Other				
Financing Sources (Uses)	<u>(71,770)</u>	<u>(184)</u>	<u>(2,978)</u>	<u>(31,252)</u>
Other Financing Sources				
Transfers From Other Funds	59,500			25,000
Transfers To Other Funds	<u>(14,000)</u>		<u>(139)</u>	
Total Other Financing Sources	<u>45,500</u>		<u>(139)</u>	<u>25,000</u>
Net Change in Fund Balances	(26,270)	(184)	(3,117)	(6,252)
Fund Balances - Beginning (Restated)	42,767	543	3,117	10,434
Fund Balances - Ending	<u>\$ 16,497</u>	<u>\$ 359</u>	<u>\$ 0</u>	<u>\$ 4,182</u>

ROCKCASTLE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2008
(Continued)

CSEPP Fund	WMD Fund	LECP Fund	Fairgrounds Fund	Total Non-Major Governmental Funds
\$ 288,687	\$	\$	\$	\$ 148,803
				481,445
			15,393	17,747
				541
<u>288,687</u>			<u>15,393</u>	<u>648,536</u>
				80,781
157,102	1,435	566		364,581
		50		80,545
			12,966	27,794
				20,412
85,000				85,000
18,323				66,969
<u>260,425</u>	<u>1,435</u>	<u>616</u>	<u>12,966</u>	<u>726,082</u>
<u>28,262</u>	<u>(1,435)</u>	<u>(616)</u>	<u>2,427</u>	<u>(77,546)</u>
				84,500
<u>(11,572)</u>	<u>(230)</u>			<u>(25,941)</u>
<u>(11,572)</u>	<u>(230)</u>			<u>58,559</u>
16,690	(1,665)	(616)	2,427	(18,987)
10,954	1,665	1,964	7,233	78,677
<u>\$ 27,644</u>	<u>\$ 0</u>	<u>\$ 1,348</u>	<u>\$ 9,660</u>	<u>\$ 59,690</u>

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**ROCKCASTLE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
COMPONENT UNIT OF ROCKCASTLE COUNTY
BALANCE SHEET – GOVERNMENTAL FUND- MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2008

ROCKCASTLE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
COMPONENT UNIT OF ROCKCASTLE COUNTY
BALANCE SHEET – GOVERNMENTAL FUND- MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2008

	Rockcastle County Industrial Development Authority
ASSETS	
Cash and Cash Equivalents	\$ 244,819
Total Assets	<u>\$ 244,819</u>
 FUND BALANCE	
Unreserved	<u>\$ 244,819</u>
Total Fund Balance	<u>\$ 244,819</u>

Reconciliation to Statement of Net Assets:

Total Fund Balance	\$ 244,819
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	675,000
Accumulated Depreciation	<u>(2,400)</u>
Net Assets Of Rockcastle County Industrial Development Authority	<u>\$ 917,419</u>

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**ROCKCASTLE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-GOVERNMENTAL FUNDS-MODIFIED CASH BASIS
Other Supplementary Information**

For The Year Ended June 30, 2008

ROCKCASTLE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS-MODIFIED CASH BASIS

Other Supplementary Information

For The Year Ended June 30, 2008

	Rockcastle County Industrial Development Authority
	<u>Authority</u>
REVENUES	
Intergovernmental Revenue	\$ 30,719
Miscellaneous	3,311
Interest	<u>5,239</u>
Total Revenues	<u>\$ 39,269</u>
EXPENDITURES	
Recreation and Culture	
Administration	<u>83,312</u>
Total Expenditures	<u>83,312</u>
Deficiency of Revenues Over Expenditures Before Other Financing Uses	<u>(44,043)</u>
Net Change in Fund Balances	(44,043)
Fund Balances - Beginning	<u>288,862</u>
Fund Balances - Ending	<u><u>\$ 244,819</u></u>

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Rockcastle County Industrial Development Auth \$ (44,043)

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Depreciation Expense (1,200)

Change in Net Assets of Rockcastle County Industrial Development Authority \$ (45,243)

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable George "Buzz" Carloftis, Rockcastle County Judge/Executive
Members of the Rockcastle County Fiscal Court

**Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely component unit, each major fund, and the aggregate remaining fund information of Rockcastle County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 1, 2009. Rockcastle County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rockcastle County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rockcastle County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Rockcastle County Fiscal Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect Rockcastle County Fiscal Court's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of Rockcastle County Fiscal Court's financial statements that is more than inconsequential will not be prevented or detected by Rockcastle County Fiscal Court's internal control. We consider the deficiencies included in the accompanying comments and recommendations as items 2008-01, 2008-04, 2008-07, 2008-08, 2008-09, and 2008-10 to be significant deficiencies in internal control over financial reporting.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Rockcastle County Fiscal Court's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider all the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Rockcastle County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are included in the accompanying comments and recommendations as items 2008-01, 2008-02, 2008-03, 2008-04, 2006-05 and 2008-06.

The Rockcastle County Judge/Executive's, Jailer's, and Industrial Development Authority Chairman's responses to the findings identified in our audit are described in the accompanying comments and recommendations. We did not audit the responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and the Department for Local Government, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', written in a cursive style.

Crit Luallen
Auditor of Public Accounts

June 1, 2009

**ROCKCASTLE COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2008

ROCKCASTLE COUNTY
COMMENTS AND RECOMMENDATIONS
For The Year Ended June 30, 2008

FINANCIAL STATEMENT FINDINGS:

2008-01 The Fiscal Court Has A Shortage In The General, Road, And Jail Funds

As of June 30, 2008, the Rockcastle County Fiscal Court had negative unreserved fund balances in the General, Road, and Jail Funds as shown below. The fund shortages are a result of unpaid obligations that were due by fiscal year ended June 30, 2008. There was also a cash deficit in the Jail Fund totaling \$26,859. This includes checks issued and held due to funds unavailable.

	Cash Balance	Total Encumbrances	Unreserved Fund Balance
General	\$ 37,857	\$ 306,795	\$ (268,938)
Road	25,980	50,883	(24,903)
Jail	(26,859)	133,284	(160,143)

KRS 68.110 states "The fiscal court shall not in any year expend any money in excess of the amount annually levied and collected for that year...." We recommend that the Fiscal Court comply with KRS 68.110 and eliminate the shortage in the General, Road, and Jail Funds.

County Judge/ Executive George "Buzz" Carloftis's Response: County agrees. State's Department for Local Government required Rockcastle County to comply with statutes. This resulted in County passing occupational tax, which provides 1.2 million additional revenue.

2008-02 All Invoices Should Be Paid Within Thirty Days As Required By KRS 65.140

During our expenditure and encumbrance testing, we noted several expenditures that were not paid within thirty working days as required by KRS 65.140. As a result, over \$2,056 in finance charges were paid based on expenditures tested. KRS 65.140 states that "unless the purchaser and vendor otherwise contract, all bills for goods and services shall be paid within thirty (30) working days of receipt of a vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's subcontractor." We recommend that the Fiscal Court comply with KRS 65.140 by paying all invoices within thirty working days.

County Judge/ Executive George "Buzz" Carloftis's Response: Agree.

2008-03 The Fiscal Court Should Advertise For Bids On Purchases Exceeding \$20,000 In Accordance With KRS 424.260 Or Purchase Directly From State Price Contract Vendors

During fiscal year ended June 30, 2008, the Fiscal Court purchased a fire truck for \$65,000 and a solid waste truck for \$33,500. No evidence of the bidding process was documented in the Fiscal Court order book. The Fiscal Court has not adopted the Commonwealth of Kentucky's model procurement code in accordance with KRS 45A.343-460 and must either make purchases exceeding \$20,000 from state price contract vendors or advertise for bids in accordance with KRS 424.260. According to KRS 424.260, purchases of materials, supplies, equipment, or contracted services exceeding \$20,000 are required to be bid.

ROCKCASTLE COUNTY
COMMENTS AND RECOMMENDATIONS
For The Year Ended June 30, 2008
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2008-03 The Fiscal Court Should Advertise For Bids On Purchases Exceeding \$20,000 In Accordance With KRS 424.260 Or Purchase Directly From State Price Contract Vendors
 (Continued)

We recommend that the Fiscal Court comply with KRS 424.260 by advertising for bids on purchases exceeding \$20,000 or make purchases directly from the state price contract vendors. We also recommend including evidence of Fiscal Court approval for state price contract purchases or bidding in the Fiscal Court order book, and that all bidding advertisements, bid documents, and bid award information be retained in bid files.

County Judge/ Executive George "Buzz" Carloftis's Response: Acknowledge and agree. The purchase of the fire truck for a local volunteer fire department was the result of the fire department having placed an order for the vehicle without fiscal court approval or knowledge. This will not occur again.

2008-04 The Fiscal Court Should Budget All Funds Utilized By The County And Maintain Proper Accounting Records

The Rockcastle County Debt Service Fund is a major fund of the Fiscal Court. During fiscal year ended June 30, 2008, this fund accounted for debt incurred to refinance a prior debt and purchase an ambulance. The Fiscal Court included the debt on the liabilities section of the quarterly; however, they did not budget for this fund. Also, the Fiscal Court did not maintain accounting records or properly include the debt on the quarterly financial report. We also noted an escrow account with a balance of \$2,614 associated with this debt; however, the County had no knowledge of this account or its purpose. KRS 68.240 (1) states, "The county judge/executive shall annually prepare a proposed budget for the expenditure of all funds." Since the Fiscal Court is financially accountable and legally obligated for this debt, they should properly account for the financial activity. We recommend the Fiscal Court budget this fund in the future, maintain a receipts and disbursements ledger, reconcile the account monthly, and include on the quarterly financial reports. We also recommend the County follow up on the escrow account to determine its purpose.

County Judge/ Executive George "Buzz" Carloftis's Response: 2009-2010 budget will be amended to correct.

2008-05 Transfers From Restricted Funds Should Be Returned

During fiscal year ended June 30, 2008, the county transferred \$175,000 in restricted Road Fund monies to the General Fund. Subsequently, the county returned \$125,000 leaving a balance of \$50,000 due the Road Fund from the General Fund. According to the Department for Local Government (DLG), if counties use restricted funds for anything other than the designated purpose, the monies must be repaid to the restricted account within the same fiscal year. We recommend that the General Fund transfer \$50,000 back to the Road Fund.

County Judge/ Executive George "Buzz" Carloftis's Response: Agree. Will do better in the future.

ROCKCASTLE COUNTY
COMMENTS AND RECOMMENDATIONS
For The Year Ended June 30, 2008
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2008-06 The Industrial Development Authority Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits And Should Have A Written Agreement To Protect Deposits

On June 30, 2008, \$97,034 of the Industrial Development Authority's (IDA) deposits of funds in depository institutions were uninsured and unsecured. According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. In addition, it was noted that there was no written agreement between the IDA and the depository institution, signed by both parties, securing the IDA's interest in the collateral. We recommend the IDA require the depository institution to pledge sufficient collateral to protect deposits and enter into a written agreement with the depository institution to secure the IDA's interest in the collateral to be pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. 1823 (e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution.

County Industrial Development Authority Chairman Corey Craig's Response: To the extent that the RCIDA's deposit balances exceed the \$250,000 deposit insurance provide by the FDIC, we will request from our financial institution that they pledge or provide sufficient collateral to protect the uninsured amounts and request that they provide documentation evidencing such.

2008-07 All Expenditures Payments Should Be Paid From Original Invoices And Other Supporting Documentation

During our tests of expenditures we noted the following:

- Several expenditures were paid by the statement total; however, there were no invoices to support the statements.
- Five expenditures for the same vendor had no supporting invoices and the total of these invoices exceeded the bid amount.
- Three expenditures totaling \$145,034 were not approved by Fiscal Court.
- Several expenditures from the road fund did not have signed delivery tickets to support the invoices.
- Eight expenditures from the jail fund were held several months until funds were available before being issued. **(See Comment 2008-02)**

All expenditure payments should be paid from an actual vendor invoice and should have adequate back up documentation supporting that expenditure. Also, Fiscal Court should approve all expenditures and checks should not be issued until funds are available. We recommend the Fiscal Court maintain all original invoices and other supporting documentation for all expenditures and approved by fiscal court. We also recommend, all delivery tickets be signed and agreed to the corresponding invoices.

County Judge/ Executive George "Buzz" Carloftis's Response: Acknowledge and agree to follow instruction.

ROCKCASTLE COUNTY
COMMENTS AND RECOMMENDATIONS
For The Year Ended June 30, 2008
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2008-08 The Fiscal Court Lacks Adequate Segregation Of Duties

The Fiscal Court has a lack of segregation of duties over receipts and disbursements. The Finance Officer receives the mail, posts to the receipts ledger, and gives the receipts to the County Treasurer to prepare the deposit. The Finance Officer also approves purchases, prepares the claim list, and prepares and posts checks. Checks are not compared to supporting documentation before signing. No documented review or compensating controls exist over these areas. Adequate segregation of duties would prevent the same person from having a significant role in the receiving, recording, and reporting of receipts, reconciliation of those receipts, or in the approval of purchases and preparation of the claims list and checks. The Fiscal Court should strengthen internal controls by segregating these duties. If segregation of duties is not possible, due to a limited number of staff, strong oversight should be implemented. The employee providing this oversight should document his or her review by initialing source documents.

County Judge/ Executive George "Buzz" Carloftis's Response: County agrees. County Judge's office will make realistic attempts to provide segregation of duties.

2008-09 The Jail Canteen Lacks An Adequate Segregation Of Duties

A lack of segregation of duties exists over all accounting functions. The bookkeeper receives the mail, prepares and deposits the receipts, and writes checks. Adequate segregation of duties would prevent the same person from having a significant role in the receiving, processing, recording, and reporting of receipts and disbursements. The jailer should strengthen internal controls by either segregating the duties or by implementing and documenting compensating controls.

If one employee is solely responsible for the receipt, disbursement, reporting, and reconciling process, the risk of misappropriation of assets and/or inaccurate financial reporting increases. We recommend the jailer separate the duties in preparing and depositing receipts, recording transactions, preparing checks, and reconciling bank accounts. If these duties cannot be segregated due to a limited number of staff or budget restrictions, strong oversight should be provided over the employee responsible for these duties.

County Jailer James Miller's Response: These above items will be met with compensating controls now activated.

2008-10 The Industrial Development Authority Lacks Adequate Segregation Of Duties

A lack of segregation of duties exists over all accounting functions. The chairman receives and deposits the receipts, prepares the checks and monthly financial reports. In addition, he is the president of the financial institution in which funds are deposited. Adequate segregation of duties would prevent the same person from having a significant role in the receiving, processing, recording, and reporting of receipts and disbursements. The Industrial Development Authority Board should strengthen internal controls by either segregating the duties or by implementing and documenting compensating controls.

If one employee is solely responsible for the receipt, disbursement, reporting, and reconciling process, the risk of misappropriation of assets and/or inaccurate financial reporting increases. We recommend the airport board separate the duties in preparing and depositing receipts, recording transactions, preparing checks, and reconciling bank accounts. If these duties cannot be segregated due to limited number of staff or budget, strong oversight should be provided over the employee responsible for these duties.

County Industrial Development Authority Chairman Corey Craig's Response: We intend to address/correct all of these items mentioned in this document in an effort to better organize the office of the RCIDA.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

ROCKCASTLE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2008**

**ROCKCASTLE COUNTY
CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS
For The Year Ended June 30, 2008**

The Rockcastle County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



George (Buzz) Carloftis
County Judge/Executive



Joseph B. Clontz
County Treasurer

